

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY BONN IMMEDIATE

C O N F I D E N T I A L STATE 057945

PASS UNDER SECRETARY ROBINSON

FOLLOWING REPEAT KINSHASA 2075 ACTION SECSTATE 09 MAR

QUOTE

C O N F I D E N T I A L KINSHASA 2075

FOR UNDERSECRETARY ROBINSON AND ASSISTANT SECRETARY SCHAUFELLE

PASS EXIM, AID AND AGRICULTURE

E.O. 11652: GDS

TAGS: EAID, ECON, CG

SUBJECT: ASSISTANCE PROGRAMS, URGENT NEED FOR HELP FOR
COTTON MILLING INDUSTRY

1. ELSEWHERE WE HAVE PRESENTED OUR OVERALL VIEW OF WHAT IS REQUIRED TO SUPPORT ZAIRE DURING ITS CRITICAL BALANCE OF PAYMENTS CRISIS. PART OF THAT ANALYSIS INCLUDED A REQUEST FROM THE GOZ FOR \$6.4 MILLION OF COTTON, WHICH WE THOUGHT COULD BE CUT BACK TO A REASONABLE REQUEST FOR \$3 MILLIGK OF CCC CREDITS IN FY 76. AT THE END OF LAST WEEK, THE DCM AND THE USAID DIRECTOR WERE CALLED TO AN URGENT MEETING WITH THE MINISTER OF AGRICULTURE WHO PRESENTED THE CASE FOR A MUCH INCREASED PROGRAM, BASED UPON
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THE IMMINENT BREAKDOWN OF THE TEXTILE INDUSTRY. IN A

WORD, BECAUSE OF A LACK OF FUEL, OPERABLE TRUCKS TO TRANSPORT COTTON FROM LOCAL PRODUCERS TO THE UP COUNTRY GINS; LACK OF GAS OIL TO OPERATE SUCH GINS AND LACK OF SPARES TO KEEP SUCH GINS OPERATING IF ALL ELSE WORKED-- THERE IS NO WAY TO GET COTTON TO THE TEXTILE MILLS. AS A RESULT SEVERAL TEXTILE FACTORIES ARE ON THE VERGE OF SHUTTING DOWN, AND IF THEY DO SOME 11,000 WORKERS WILL JOIN THE RANKS OF THE UNEMPLOYED.

2. THE MINISTER MADE A SPECIFIC REQUEST FOR THE IMMEDIATE APPROVAL OF CREDITS WHICH WOULD PERMIT THE IMPORTATION OF \$159,309 WORTH OF SPARE PARTS NEEDED BY THE TEXTILE INDUSTRY AND ON ORDER FROM THE US (ALL EQUIPMENT IS AMERICAN), BUT BLOCKED AT THE CENTRAL BANK FOR LACK OF FOREIGN EXCHANGE. IF ORDER NOT CONFIRMED BY 31 MARCH, EXPORTER (CONTINENTAL MOSS GORDON INC.) HAS WARNED THAT 10 PERCENT PRICE INCREASE WILL GO INTO EFFECT. HE ALSO REQUESTED A TOTAL OF 16,000 METRIC TONS OF COTTON IMPORTS UNDER PL-480 OVER THE NEXT TWELVE MONTHS. FACTORIES THREATENED WITH CLOSURE AND THEIR MONTHLY COTTON REQUIREMENTS ARE: UTEXCO, KINSHASA, 800 MT; FILTISAF, KALEMIE, 250 MT; SOTEXKI, KISANGANI, 250 MT; SOLEBNA AND CEROTEX, LUBUMBASHI, 300 MT.

3. BASED UPON MORE PRECISE APPRECIATION OF THE SITUATION OBTAINED FROM MEETING WITH MINISTER OF AGRICULTURE, WE RECOMMEND FOLLOWING ACTIONS:

(A) IN VIEW OF TIMING AND UNCERTAINTY SSA PROGRAM (STATE 052781) REQUEST IMMEDIATE APPROVAL OF FY 76 EXIM LINE OF CREDIT FOR IMPORTATION OF COTTON MILL SPARES, AS WELL AS FOR OTHER REQUIREMENTS LOCAL INDUSTRY IN GENERAL.

(B) INCREASE FY 1976 CCC PROGRAM BY \$30 MILLION TO COVER APPROXIMATELY 2 MONTHS RESUPPLY OF COTTON. WE SUGGEST THE FIRST TRANCHE FROM CCC NOT BECAUSE OF UMR'S, BUT BECAUSE THAT PROGRAM IS OPERATING AND CAN MOVE QUICKLY.

(C) ZAIRE IS NOT A HISTORICAL IMPORTER OF COTTON, AND THUS USUAL MARKETING REQUIREMENTS DO NOT APPLY. GIVEN THIS FACT AND THE URGENT NEED, WE ALSO RECOMMEND THAT THE FY 76 PL-480 PROGRAM (AS SOON AS IT IS SIGNED) BE AMENDED TO INCLUDE AN ADDITIONAL \$3.4 MILLION FOR COTTON TO CARRY
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THE INDUSTRY THROUGH JUNE.

(D) PROVIDE UNDER THE FY 77 PL-480 PROGRAM THE BALANCE OF THE ESTIMATED REQUIREMENTS--\$9.6 MILLION.

4. PLEASE ADVISE.
CUTLER UNQUOTE KISSINGER

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Disposition Approved on Date:
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